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TOWNSHIP OF CURTIS  
ALCONA COUNTY, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED MARCH 31, 2008

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September 29, 2008

Independent Auditors' Report

Members of the Township Board  
Township of Curtis  
Alcona County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of Curtis, Alcona County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements, as listed in the index. These financial statements are the responsibility of the Township of Curtis' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

As described more fully in Note 3, the financial statements referred to in the first paragraph do not include property, plant and equipment of the Alcona Park Fund acquired prior to January 1, 1995 and the related accumulated depreciation and depreciation expense. These amounts should be included to conform with accounting principles generally accepted in the United States of America. The amounts that should be recorded are not known.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of Curtis, Alcona County, Michigan, as of March 31, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Township of Curtis has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of March 31, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2008, on our consideration of the Township of Curtis' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Stephenson, Gracik & Co., P.C.*

**TOWNSHIP OF CURTIS**  
**5023 BAMFIELD ROAD**  
**GLENNIE, MI 48737**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of the Township of Curtis' (the Township) financial performance provides an overview of the Township's financial activities for the year ended March 31, 2008. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included. This analysis, a requirement of Governmental Accounting Standards Board Statement 34 (GASB 34), omits certain comparative data that will be available in future years.

**Financial Highlights**

- The Township's assets exceeded its liabilities by \$1,184,880.
- The Township's total net assets increased by \$38,929.
- The Township's governmental fund reported an ending fund balance of \$164,578 this year, an increase of \$15,317. The entire amount is available for spending (*unreserved fund balance*) on behalf of its citizens.

**Overview of the Financial Statements**

The financial statements are organized so the reader can understand the Township as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The Township's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements**

The *statement of net assets* and the *statement of activities* display information about the Township as a whole. These statements include the financial activities of the primary government except for its' fiduciary fund. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township with certain limited exceptions. The comparisons of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

With this report, all capital assets and infrastructure are listed for the Township of Curtis. These assets are comprised of buildings and improvements, land improvements, machinery and equipment, and land owned by the Township. These assets total over \$1.3 million.

### **Fund Financial Statements**

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: *Governmental, Proprietary and Fiduciary*.

#### ***Governmental Funds:***

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Township's major governmental fund:

- General Fund – This fund accounts for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, and grants.

#### ***Proprietary Funds:***

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The Township's enterprise funds may be used to account for any activity for which a fee is charged to external users (citizens) for goods and services. The following is the Township's major enterprise fund:

- Alcona Park Fund – This fund accounts for fees collected for park services provided by the Township.

#### ***Fiduciary Funds:***

Fiduciary fund reporting focuses on net assets and changes in net assets. The Township's agency funds account for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for taxes and fines and forfeitures collected and distributed to other political subdivisions.

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided on the Township *government-wide* and *fund* financial statements. The notes to financial statements are presented following the Basic Financial Statements, and provide an expansive and thorough view of various aspects of the audited financial statements.

## Government-Wide Financial Analysis

### Summary of Net Assets:

The following summarizes the net assets of the Township of Curtis at March 31, 2008:

#### Net Assets Summary

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>March 31, 2008</u>
Current Assets	\$ 164,578	\$ 303,291	\$ 467,869
Capital Assets – net	<u>262,314</u>	<u>471,382</u>	<u>733,696</u>
<b>Total Assets</b>	<u>426,892</u>	<u>774,673</u>	<u>1,201,565</u>
Current Liabilities	<u>0</u>	<u>16,685</u>	<u>16,685</u>
<b>Net Assets</b>			
Invested in Capital Assets	262,314	471,382	733,696
Unrestricted	<u>164,578</u>	<u>286,606</u>	<u>451,184</u>
<b>Total Net Assets</b>	<u>\$ 426,892</u>	<u>\$ 757,988</u>	<u>\$ 1,184,880</u>

### Summary of Changes in Net Assets:

Following is an analysis of the changes in net assets for fiscal year 2008.

Generally speaking, the Township's net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. The Township of Curtis, through its governing body, i.e., Township Board of Trustees, has taken a sensible approach regarding capital asset acquisition. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>March 31, 2008</u>
<b>Program Revenues:</b>			
Charges for Services	\$ 48,253	\$ 442,812	\$ 491,065
Operating Grants and Contributions	15,031	0	15,031
Capital Grants and Contributions	<u>2,000</u>	<u>0</u>	<u>2,000</u>
<b>Total Program Revenues</b>	<u>65,284</u>	<u>442,812</u>	<u>508,096</u>
<b>General Revenues:</b>			
Property Taxes	37,418	0	45,583
State Revenue Sharing	94,807	0	94,807
Interest and Investment Earnings	1,690	7,853	9,543
Rent Income	2,451	0	2,451
Sale of Capital Assets	0	420	420
Other	<u>14,206</u>	<u>0</u>	<u>6,041</u>
<b>Total General Revenues</b>	<u>150,572</u>	<u>8,273</u>	<u>158,845</u>
<b>Total Revenues</b>	<u>215,856</u>	<u>451,085</u>	<u>666,941</u>

### Summary of Changes in Net Assets (Continued):

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>March 31, 2008</b>
<b>Program Expenses:</b>			
General Government	\$ 118,819	\$ 0	\$ 118,819
Public Safety	48,548	0	48,548
Public Works	36,804	0	36,804
Community and Economic Development	13,286	0	13,286
Park Services	<u>0</u>	<u>410,555</u>	<u>410,555</u>
<b>Total Program Expenses</b>	<u>217,457</u>	<u>410,555</u>	<u>628,012</u>
 Change in Net Assets	 (1,601)	 40,530	 38,929
 Beginning Net Assets	 <u>428,493</u>	 <u>717,458</u>	 <u>1,145,951</u>
 Ending Net Assets	 <u>\$ 426,892</u>	 <u>\$ 757,988</u>	 <u>\$ 1,184,880</u>

### Governmental Activities

The *Statement of Activities* illustrates, by department, the expense incurred and revenue received.

Total governmental activities reveal revenues of \$65,284 from *Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions*. The *Charges for Services* are fees mainly associated with the collection of property taxes, fines and forfeitures, and licenses & permits. Operating expenses totaled \$217,457 for these same activities. The largest expenses were incurred by General Government offices (\$118,819) and Public Safety (\$48,548).

### Business-Type Activities

The Township's main *Business-Type activities* are the services provided by Alcona Park. For the most part, Park revenues and expenditures reflected maintenance of the status quo as compared to past years.

### Financial Analysis of Township Funds

As noted earlier in this report, the Township uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

### Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The Township's major governmental fund is the General Fund, which accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal distributions, and grants.

This year's Township audit, following GASB 34 format, shows one governmental fund. The Township Treasurer maintains this fund as a separate unit in the General Ledger.

### Proprietary Fund

The Township's enterprise fund provides the same type of information found in the government-wide financial statements. The services provided by Alcona Park comprise this fund. GASB 34 places such funds under the

caption of *Proprietary Funds* under the appropriate statements, i.e., *Statement of Net Assets*, *Statement of Cash Flows*, etc.

### **Fiduciary Funds**

Fiduciary Fund reporting focuses on net assets and changes in net assets. The Township's agency funds account for assets held by the Township for political subdivisions in which the Township acts as fiscal agent.

### **Budgetary Highlights**

The Township's budgets are prepared according to Michigan Law.

During the fiscal year ended March 31, 2008 the Township Board amended the budget to take into account events occurring during the year. These budget amendments fall into two categories:

- Changes made to reflect increases or decreases in anticipated expenditures
- Changes made to reflect increases or decreases in anticipated revenues

The General Fund actual revenue was \$215,856. That amount is above the original budget estimate of \$175,680 and final budget estimate of \$212,632. The variance between the actual revenue and the final budget was the result of increased revenues from property taxes and various other sources.

The General Fund actual expenditures were \$200,539. That amount is below the original budget estimate of \$267,462 and final budget estimate of \$267,628. The variance between the actual expenditures and the final budget was the result of decreased expenditures related to Township street projects compared to amount budgeted and various other areas.

The General Fund had total revenues of \$215,856, total expenditures of \$200,539 and an ending fund balance of \$164,578.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The Township defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (fair market value) at the date of donation.

Capital Assets – Governmental Activities beginning balance was \$540,468 with an ending balance of \$545,908. The increase was due to additional improvements for the Curtisville substation building. Governmental Activities Total Capital Assets – Net of Depreciation was \$262,314.

Capital Assets - Business Type Activities beginning balance was \$751,902 with an ending balance of \$827,229. The most significant increase was due to the purchase of a backhoe for \$49,500 and a skidsteer trailer for \$15,000. An expanded and detailed presentation may be seen in Note 6 of the notes to financial statements.

### **Economic Factors**

The Township Board continues to work hard to keep expenditures down and to maintain revenue levels that are within their control. The Township property tax revenues account for approximately 37% of the Township General Fund Revenues.



Revenue sharing from the State of Michigan is the greatest source of revenue for the Township's General Fund at approximately 46%. As the revenue estimates continue to decline at the state level the Township may lose funds that are currently budgeted. The Township has been able to operate in a streamlined manner, thus building up the General Fund balance to prepare for any reductions that may occur.

The major expenditures for the Township General Fund are for General Government activities followed by the Public Works and Public Safety.

The Township Board monitors the revenue and expenditures throughout the year and takes appropriate action when the economic factors dictate a change.

### **Component Units**

Complete financial statements for the Curtis Township Library may be obtained from the Township of Curtis' Clerk's Office.

### **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township of Curtis, 5023 Bamfield Rd., Glennie, MI 48737.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

STATEMENT OF NET ASSETS  
March 31, 2008

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Curtis Township Library</u>
<u>Assets</u>				
Cash and Cash Equivalents (Note 4)	\$ 98,178	\$ 140,820	\$ 238,998	\$ 5,175
Investments (Note 4)	10,000	158,881	168,881	2,707
Receivables:				
Delinquent Taxes	6,725	0	6,725	0
Other	0	3,590	3,590	0
Due from Fiduciary Funds (Note 5)	49,675	0	49,675	0
Noncurrent Assets:				
Capital Assets, Net (Note 6)	<u>262,314</u>	<u>471,382</u>	<u>733,696</u>	<u>160,626</u>
Total Assets	<u>426,892</u>	<u>774,673</u>	<u>1,201,565</u>	<u>168,508</u>
<u>Liabilities</u>				
Deferred Revenue	<u>0</u>	<u>16,685</u>	<u>16,685</u>	<u>0</u>
<u>Net Assets</u>				
Invested in Capital Assets	262,314	471,382	733,696	160,626
Unrestricted	<u>164,578</u>	<u>286,606</u>	<u>451,184</u>	<u>7,882</u>
Total Net Assets	<u>\$ 426,892</u>	<u>\$ 757,988</u>	<u>\$ 1,184,880</u>	<u>\$ 168,508</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

STATEMENT OF ACTIVITIES  
For the Year Ended March 31, 2008

					Net (Expense) Revenue and Changes in Net Assets			Component Unit  Curtis Township Library
Function/Program	Expenses	Program Revenues			Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total	
Primary Government								
Governmental Activities:								
General Government:								
Legislative and Executive	\$ 30,280	\$ 0	\$ 0	\$ 0	\$ (30,280)	\$ 0	\$ (30,280)	
Financial and Tax								
Administration	42,827	33,662	0	0	(9,165)	0	(9,165)	
Other General Government	45,712	4,700	0	0	(41,012)	0	(41,012)	
Public Safety:								
Fire	48,548	0	0	2,000	(46,548)	0	(46,548)	
Public Works:								
Other Public Works	36,804	8,947	15,031	0	(12,826)	0	(12,826)	
Community and Economic								
Development	<u>13,286</u>	<u>944</u>	<u>0</u>	<u>0</u>	<u>(12,342)</u>	<u>0</u>	<u>(12,342)</u>	
Total Governmental								
Activities	<u>217,457</u>	<u>48,253</u>	<u>15,031</u>	<u>2,000</u>	<u>(152,173)</u>	<u>0</u>	<u>(152,173)</u>	
Business-Type Activities:								
Park Services	<u>410,555</u>	<u>442,812</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>32,257</u>	<u>32,257</u>	
Total Primary Government	<u>\$ 628,012</u>	<u>\$ 491,065</u>	<u>\$ 15,031</u>	<u>\$ 2,000</u>	<u>(152,173)</u>	<u>32,257</u>	<u>(119,916)</u>	
Component Unit								
Curtis Township Library	<u>\$ 52,355</u>	<u>\$ 0</u>	<u>\$ 5,458</u>	<u>\$ 0</u>				<u>\$ (46,897)</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

STATEMENT OF ACTIVITIES  
For the Year Ended March 31, 2008

					Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			Component Unit
					Business- Type			Curtis Township
Function/Program	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Activities	Total	Library
General Revenue:								
Property Taxes Levied For:								
General Operating					\$ 37,418	\$ 0	\$ 37,418	\$ 0
Library Operating					0	0	0	26,226
State Revenue Sharing					94,807	0	94,807	545
Penal Fines					0	0	0	8,830
Interest and Investment								
Earnings					1,690	7,853	9,543	348
Rent Income					2,451	0	2,451	0
Sale of Capital Assets					0	420	420	0
Other					14,206	0	14,206	1,426
Total General Revenue					150,572	8,273	158,845	37,375
Change in Net Assets					(1,601)	40,530	38,929	(9,522)
Net Assets - Beginning					428,493	717,458	1,145,951	178,030
Net Assets - Ending					\$ 426,892	\$ 757,988	\$ 1,184,880	\$ 168,508

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

BALANCE SHEET  
GOVERNMENTAL FUND  
March 31, 2008

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents (Note 4)	\$ 98,178
Investments (Note 4)	10,000
Receivables:	
Delinquent Taxes	6,725
Due from Other Funds (Note 5)	<u>49,675</u>
Total Assets	<u>\$ 164,578</u>
<u>LIABILITIES AND FUND EQUITY</u>	
<u>Liabilities</u>	
Accounts Payable	\$ 0
<u>Fund Equity</u>	
Fund Balances:	
Unreserved:	
Undesignated, Reported In:	
General Fund	<u>164,578</u>
Total Liabilities and Fund Equity	<u>\$ 164,578</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
March 31, 2008

Total Governmental Fund Balances		\$	164,578
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:			
Capital Asset Cost	\$	545,908	
Accumulated Depreciation		<u>(283,594)</u>	
			<u>262,314</u>
Total Net Assets - Governmental Activities		\$	<u>426,892</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND  
For the Year Ended March 31, 2008

	<u>General Fund</u>
<u>Revenue</u>	
Property Taxes	\$ 79,133
Federal Grants and Revenue	10,174
State Grants and Revenue	99,664
Licenses and Permits	1,056
Charges for Services	11,847
Interest and Rentals	4,141
Other Revenue	<u>9,841</u>
Total Revenue	<u>215,856</u>
<u>Expenditures</u>	
Current:	
General Government:	
Legislative	24,141
Chief Executive	6,139
Financial and Tax Administration	42,827
Other General Government	31,480
Public Safety	26,190
Public Works	36,804
Community and Economic Development	13,286
Other	14,232
Capital Outlay	<u>5,440</u>
Total Expenditures	<u>200,539</u>
Excess of Revenue Over Expenditures	15,317
Fund Balances - Beginning of Year	<u>149,261</u>
Fund Balances - End of Year	<u>\$ 164,578</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended March 31, 2008

Total Net Change in Fund Balances - Governmental Funds		\$	15,317
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Capital Outlay	5,440		
Current Year Depreciation Expense	<u>(22,358)</u>		
Net difference			<u>(16,918)</u>
Change in Net Assets of Governmental Activities		\$	<u>(1,601)</u>

The accompanying notes to financial statements are an integral part of this statement.



TOWNSHIP OF CURTIS  
Alcona County, Michigan

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
March 31, 2008

	<u>Enterprise Fund</u>	<u>Alcona Park Fund</u>
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents (Note 4)	\$ 140,820	
Investments (Note 4)	158,881	
Receivables:		
Other	<u>3,590</u>	
Total Current Assets	303,291	
Noncurrent Assets:		
Capital Assets, Net (Note 6)	<u>471,382</u>	
Total Assets	<u>774,673</u>	
<u>Liabilities</u>		
Current Liabilities:		
Deferred Revenue	<u>16,685</u>	
<u>Net Assets</u>		
Invested In Capital Assets	471,382	
Unrestricted	<u>286,606</u>	
Total Net Assets	\$ <u>757,988</u>	

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
For the Year Ended March 31, 2008

	<u>Enterprise Fund</u>
	<u>Alcona Park Fund</u>
<u>Operating Revenue</u>	
Camping Fees	\$ 394,254
Shower Fees	7,441
Store Sales	37,099
Other Revenue	4,018
Total Operating Revenue	<u>442,812</u>
<u>Operating Expenses</u>	
Salaries and Wages	158,448
Payroll Taxes and Employee Benefits	50,373
Administrative Costs	600
Contractual Services	1,470
Depreciation	51,476
Dust Control	3,800
Gasoline and Oil	13,483
Insurance and Bonds	17,787
Office Supplies	10,761
Printing and Advertising	3,292
Property Taxes	5,307
Rent	2,400
Repair and Maintenance	29,801
Store Supplies	24,538
Janitorial Supplies	4,597
Small Tools	1,648
Telephone	1,672
Travel and Training	149
Uniforms	855
Utilities	26,579
Other	1,519
Total Operating Expenses	<u>410,555</u>
Operating Income	<u>32,257</u>
<u>Nonoperating Revenue (Expenses)</u>	
Interest and Investment Earnings	7,853
Gain on Sale of Capital Assets	420
Total Nonoperating Revenue (Expenses)	<u>8,273</u>
Change in Net Assets	40,530
Net Assets - Beginning of Year	<u>717,458</u>
Net Assets - End of Year	<u>\$ 757,988</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended March 31, 2008

	<u>Enterprise Fund</u>
	<u>Alcona Park Fund</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from Customers	\$ 441,135
Payments to Suppliers for Goods and Services	(200,631)
Payments to Employees for Services	<u>(158,448)</u>
Net Cash Provided by Operating Activities	<u>82,056</u>
 <u>Cash Flows From Capital and Related Financing Activities</u>	
Proceeds from Sale of Capital Assets	5,700
Acquisition and Construction of Capital Assets	<u>(84,993)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(79,293)</u>
 <u>Cash Flows From Investing Activities</u>	
Interest on Investments	<u>3,948</u>
Net Increase in Cash and Cash Equivalents	6,711
Cash and Cash Equivalents at Beginning of Year (Note 1)	<u>134,109</u>
Cash and Cash Equivalents at End of Year (Note 1)	<u>\$ 140,820</u>
 <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 32,257
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	51,476
Change in Assets and Liabilities:	
Deferred Revenue	<u>(1,677)</u>
Net Cash Provided by Operating Activities	<u>\$ 82,056</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
March 31, 2008

	<u>Current Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents (Note 4)	\$ <u>47,287</u>	\$ <u>5,932</u>	\$ <u>53,219</u>
<u>LIABILITIES</u>			
Due to Local Units	\$ 891	\$ 0	\$ 891
Due to State	0	287	287
Due to Federal Government	0	2,366	2,366
Due to Other Funds (Note 5)	<u>46,396</u>	<u>3,279</u>	<u>49,675</u>
Total Liabilities	\$ <u>47,287</u>	\$ <u>5,932</u>	\$ <u>53,219</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Curtis (Township) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. Private-sector standards of accounting issued after November 30, 1989, are generally followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies:

A. Description of Township Operations and Fund Types

The Township of Curtis operates under an elected Township Board of five members and provides services to its residents in many areas including road maintenance and fire protection. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Township are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs of services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations for which the Township approves the budget, the issuance of debt, or the levying of taxes.

1. Blended Component Unit

a. Business-Type Activity and Proprietary Fund Type Blended Component Unit:

**Alcona Park** - The Alcona Park is reported as if it were part of the primary government because the governing body of the Park is the same as the primary government. The financial activities of the Alcona Park are recorded in an Enterprise Fund. The Alcona Park uses a December 31, 2007 year end, which is what is presented in these financial statements. Complete financial statements for the Alcona Park can be obtained from the Township Clerk's office.

2. Discretely Presented Component Unit

The component unit column on the combined financial statements include the financial data of the Township's component unit. It is reported in a separate column to emphasize that it is legally separate from the Township.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

a. Governmental Activity and Fund Type Component Unit:

**Curtis Township Library** - The component unit column in the financial statements represents the financial data of the Curtis Township Library. The Library is reported in a separate column to emphasize that it is legally separate from the Township. The governing body of this component unit consists of six Library Board Members. The Library was established in 1994 to maintain and operate a public library for the Township of Curtis. The Curtis Township Library uses a December 31, 2007 year end, which is what is presented in these financial statements. Complete financial statements can be obtained from the Township Clerk's office.

C. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government and its component units, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for support.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Fiduciary funds are reported by type, and are excluded from the government-wide financial statements.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Township's major governmental fund:

General Fund - This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and federal and state revenues.

**Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The Township's enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the Township's major enterprise fund:

Alcona Park Fund - This fund accounts for fees collected for park services provided by the Township.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The Township's agency fund's account for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for others. The Township uses these funds to account for payroll tax withholdings and the eventual payment of the liability, as well as property tax collections.

E. Measurement Focus

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

All assets and all liabilities associated with the operation of the Township are included on the statement of net assets.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus (Continued)

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in revenue, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the Township finances and meets the cash flow needs of its enterprise activities.

F. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide, proprietary and fiduciary funds financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues – Exchange and Non-exchange Transactions**

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: charges for services, fines and forfeitures, state-levied locally shared taxes (including sales tax), grants, interest, rent and various other items.



TOWNSHIP OF CURTIS  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Basis of Accounting (Continued)

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Deferred revenue represents prepaid camping fees received in the park fund to be recognized in the following fiscal year. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

G. Cash and Cash Equivalents

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Township are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost which approximates fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

H. Receivables

Receivables generally consist of property taxes. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectibility.

The allowance for doubtful accounts at March 31, 2008 was \$0 for the primary government and the component unit.

I. Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "due from/to other funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as Internal Balances. Balances due from/to fiduciary funds and component units are also reported on the government-wide statement of net assets.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Descriptions</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20 - 50 years
Machinery and Equipment	5 - 15 years
Library Materials	7 years

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund statement. In general, payables and accrued liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that are paid from governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Township, these revenues are charges for services for park services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

N. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/ expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/ expenses to the funds that initially paid for them are not presented on the financial statements.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended March 31, 2008.

P. Budgets and Budgetary Accounting

The Township of Curtis normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to March 1, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. This operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the governmental center to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an ordinance .
4. All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, and as amended by the Township Board throughout the operating year.

The Township adopts a budget for the General Fund.

The budgets of the Township are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the activity level.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Township Board.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

Change in Accounting Principles

For 2008, the Township has implemented Governmental Accounting Standards Board (GASB) Statement Number 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; and GASB Statement No. 38, "Certain Financial Statement Note Disclosures" in their entirety as required by the Local Audit and Finance Division of the Treasury Department of the State of Michigan.

GASB Statement No. 34 creates new basic financial statements for reporting on the Township's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting. The government-wide financial statements split the Township's programs between governmental activities and business type activities.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including the Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

NOTE 3 - INCOMPLETE FUNDS

The Alcona Park Fund did not maintain records for fixed assets acquired prior to January 1, 1995 and the related accumulated depreciation and depreciation expense. Therefore, these balances and the related depreciation expense have not been included in the financial statements.

NOTE 4 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business- Type Activities	Fiduciary Funds	Total Primary Government	Component Unit
Cash and Cash Equivalents	\$ 98,178	\$ 140,820	\$ 53,219	\$ 292,217	\$ 5,175
Investments	<u>10,000</u>	<u>158,881</u>	<u>0</u>	<u>168,881</u>	<u>2,707</u>
Total	<u>\$ 108,178</u>	<u>\$ 299,701</u>	<u>\$ 53,219</u>	<u>\$ 461,098</u>	<u>\$ 7,882</u>

TOWNSHIP OF CURTIS  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ 460,608	\$ 7,882
Petty Cash and Cash on Hand	<u>490</u>	<u>0</u>
Total	<u>\$ 461,098</u>	<u>\$ 7,882</u>

Interest Rate Risk

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's known cash requirements.

Custodial Credit Risk - Deposits - Primary Government

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$168,938 of the Township's bank balance of \$571,968 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Deposits - Component Unit

In the case of deposits, this is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. As of March 31, 2008, \$0 of the Curtis Township Library's bank balance of \$8,137 was exposed to custodial credit risk.

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk

The Township's investment policy does not address foreign currency risk.

Investments

The Township Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Township to deposit and invest in the following:

- λ Accounts of federally insured banks, credit unions and savings and loan associations
- λ Bonds and other direct obligations of the United States or an agency or instrumentality of the United States

TOWNSHIP OF CURTIS  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- λ United States government or federal agency obligation repurchase agreements
- λ Banker's acceptances of United States banks
- λ Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- λ Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of March 31, 2008 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Funds:		
General Fund	\$ 49,675	\$ 0
Fiduciary Funds	<u>0</u>	<u>49,675</u>
	<u>\$ 49,675</u>	<u>\$ 49,675</u>

The amounts of interfund receivables and payables for individual funds as of March 31, 2008 were as follows:

<u>Fund</u> <u>Primary Government</u>	<u>Interfund Receivable</u>	<u>Fund</u> <u>Primary Government</u>	<u>Interfund Payable</u>
General Fund	\$ 46,396	Current Tax Collection Fund	\$ 46,396
General Fund	<u>3,279</u>	Trust and Agency Fund	<u>3,279</u>
Total	<u>\$ 49,675</u>	Total	<u>\$ 49,675</u>

These balances result from the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

TOWNSHIP OF CURTIS  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended March 31, 2008, was as follows:

	Balance 04/01/07	Additions	Deletions	Balance 03/31/08
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 35,669	\$ 0	\$ 0	\$ 35,669
Capital Assets Being Depreciated:				
Buildings and Improvements	136,503	5,440	0	141,943
Machinery and Equipment	368,296	0	0	368,296
Subtotal	504,799	5,440	0	510,239
Less Accumulated Depreciation for:				
Buildings and Improvements	(114,068)	(186)	0	(114,254)
Machinery and Equipment	(147,168)	(22,172)	0	(169,340)
Subtotal	(261,236)	(22,358)	0	(283,594)
Capital Assets Being Depreciated	243,563	(16,918)	0	226,645
Governmental Activities Total				
Capital Assets - Net of Depreciation	\$ 279,232	\$ (16,918)	\$ 0	\$ 262,314
	Balance 01/01/07	Additions	Deletions	Balance 12/31/07
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated:				
Land Improvements	\$ 154,060	\$ 9,378	\$ 0	\$ 163,438
Buildings and Improvements	430,417	0	0	430,417
Machinery and Equipment	167,425	72,025	(6,076)	233,374
Subtotal	751,902	81,403	(6,076)	827,229
Less Accumulated Depreciation for:				
Land Improvements	(49,830)	(7,977)	0	(57,807)
Buildings and Improvements	(138,511)	(21,521)	0	(160,032)
Machinery and Equipment	(116,826)	(21,978)	796	(138,008)
Subtotal	(305,167)	(51,476)	796	(355,847)
Business-Type Activities Total				
Capital Assets - Net of Depreciation	\$ 446,735	\$ 29,927	\$ (5,280)	\$ 471,382

Depreciation expense was charged to programs of the primary government as follows:

<u>Governmental Activities</u>	
General Government:	
Public Safety	\$ 22,358
<u>Business-Type Activities</u>	
Park	\$ 51,476

TOWNSHIP OF CURTIS  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Capital asset activity of the Curtis Township Library for the current year is as follows:

	Balance 01/01/07	Additions	Deletions	Balance 12/31/07
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 17,500	\$ 0	\$ 0	\$ 17,500
Capital Assets Being Depreciated				
Buildings	182,600	0	0	182,600
Machinery and Equipment	11,500	0	0	11,500
Library Materials	148,522	2,640	0	151,162
Subtotal	<u>342,622</u>	<u>2,640</u>	<u>0</u>	<u>345,262</u>
Less Accumulated Depreciation for:				
Buildings	(50,215)	(4,565)	0	(54,780)
Machinery and Equipment	(7,514)	(1,186)	0	(8,700)
Library Materials	(134,068)	(4,588)	0	(138,656)
Subtotal	<u>(191,797)</u>	<u>(10,339)</u>	<u>0</u>	<u>(202,136)</u>
Capital Assets Being Depreciated	<u>150,825</u>	<u>(7,699)</u>	<u>0</u>	<u>143,126</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 168,325</u>	<u>\$ (7,699)</u>	<u>\$ 0</u>	<u>\$ 160,626</u>

Depreciation expense was charged in full to the Curtis Township Library function.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls. For the current year, the taxable value for properties located within the Township was \$57,489,380 for Township operating purposes and \$55,252,256 for Library services, which is on a 12/31/07 fiscal year end and would be based on the 2006 Levy. The 2007 operating tax rates are currently .6457 mills for operations and .4846 mills for Library services.

NOTE 8 - OPERATING LEASE

On May 1, 1997, the Alcona Park entered into a lease agreement with Consumers Energy for the rental of the tract of land that includes camping areas on both sides of the AuSable River on Alcona Pond. The lease is for a period of 15 years at an amount of \$2,400 per year, based on expenses lessor expects to incur in administering the terms of the lease. In addition, Alcona Park shall pay all taxes, assessments and other public charges levied on the leased premises during each year that the lease is in effect.



TOWNSHIP OF CURTIS  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008

NOTE 9 - UNEMPLOYMENT COMPENSATION

The Township is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Township must reimburse the Employment Agency for all benefits charged against the Township. Accrued unemployment compensation was \$0 as of March 31, 2008.

NOTE 10 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries and natural disasters. The Township has purchased commercial insurance for risks of loss and participates in the Michigan Municipal workers compensation fund risk pool for claims relating to workers compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Municipal Workers Compensation Fund program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF CURTIS  
Alcona County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended March 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Property Taxes	\$ 53,100	\$ 78,422	\$ 79,133	\$ 711
Federal Grants and Revenue	4,400	10,174	10,174	0
State Grants and Revenue	92,500	99,664	99,664	0
Licenses and Permits	780	1,056	1,056	0
Charges for Services	10,600	9,334	11,847	2,513
Interest and Rentals	3,900	4,141	4,141	0
Other Revenue	10,400	9,841	9,841	0
Total Revenue	<u>175,680</u>	<u>212,632</u>	<u>215,856</u>	<u>3,224</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	20,100	30,100	24,141	5,959
Chief Executive	6,739	6,739	6,139	600
Financial and Tax Administration	45,612	46,212	42,827	3,385
Other General Government	42,528	40,728	31,480	9,248
Public Safety	39,805	30,605	26,190	4,415
Public Works	71,600	72,966	36,804	36,162
Community and Economic Development	15,758	15,758	13,286	2,472
Recreation and Cultural	2,000	2,000	0	2,000
Other	15,000	15,000	14,232	768
Capital Outlay	8,320	7,520	5,440	2,080
Total Expenditures	<u>267,462</u>	<u>267,628</u>	<u>200,539</u>	<u>67,089</u>
Excess of Revenue Over (Under) Expenditures	(91,782)	(54,996)	15,317	70,313
Fund Balances - Beginning of Year	<u>149,261</u>	<u>149,261</u>	<u>149,261</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 57,479</u>	<u>\$ 94,265</u>	<u>\$ 164,578</u>	<u>\$ 70,313</u>



*Stephenson, Gracik & Co., P.C.*  
Certified Public Accountants & Consultants

Alan J. Stephenson, CPA  
Gerald D. Gracik Jr., CPA  
James J. Gracik, CPA  
Donald W. Braman, CPA  
Kyle E. Troyer, CPA

Herman A. Hertel

September 29, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Township Board  
Township of Curtis  
Alcona County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of Curtis, Alcona County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township of Curtis' basic financial statements and have issued our report thereon dated September 29, 2008. In our report dated September 29, 2008, our opinion was qualified because the financial statements do not include property, plant and equipment of the Enterprise Fund acquired prior to January 1, 1995, and the related accumulated depreciation and depreciation expense. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Curtis' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Curtis' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Curtis' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Curtis' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Curtis' financial statements that is more than inconsequential will not be prevented or detected by the Township of Curtis' internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Financial Statement Preparation

The Township of Curtis prepares various financial information throughout the year to assess operations and the financial condition of the Township. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the Township relies on our firm to assist in preparing the annual financial report in accordance with Generally Accepted Accounting Principles.



# *Stephenson, Gracile & Co., P.C.*

Members of the Township Board  
Township of Curtis  
September 29, 2008

The Township of Curtis has individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Township is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the Township would not be in a position to detect the errors or omissions.

## Separation of Duties in the Performance of Functions

The present system of internal accounting controls does not provide for separation of duties in the performance of functions. In our opinion, the system is adequate to account for the financial activity of the Township of Curtis but could be strengthened by a few minor changes in the personnel assigned to perform certain functions.

We recommend that the cash receipts and cash disbursements functions be handled by different individuals. Cash receiving should be centralized in a person without authority to sign checks and without access to noncash accounting records and not involved in reconciling bank accounts. A different person should prepare checks and reconcile the bank accounts.

## Camper Revenue Monitoring

The Alcona Park cash and revenue receipting process was reviewed as part of the current year risk assessment procedures and it appears that there are controls in place to account for the daily activity. However, there is no tracking of the number of campers and/or camper days to be able to monitor or test the reasonableness of income for camping fees during the year. We recommend that the Park management develop a daily process for documenting the number of campers and camp days by specific rate or site category. In addition we recommend that a monthly report, for presentation to the Board, be prepared summarizing the number of campers, the number of camper days, and the amount of camper fees collected for the current month as well as year to date. This report will not only provide the Park Board with information to help monitor camper activity on a monthly basis, but will also provide a means of reconciling back to the general ledger activity.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Curtis' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Curtis' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management of the Township of Curtis in a separate letter dated September 29, 2008.

*Stephenson, Gracik & Co., P.C.*

Members of the Township Board  
Township of Curtis  
September 29, 2008

View of Responsible Officials and Planned Corrective Actions:

Financial Statement Preparation

The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Separation of Duties in the Performance of Functions

The Township Clerk and Treasurer will review their current duties and analyze possible areas for changes in functions performed by specific individuals in order to strengthen internal control.

Camper Revenue Monitoring

The Park will look into the capabilities of its current camper registration software to help develop a system of tracking the number of campers and/or camper days.

The Township of Curtis' responses to the findings identified in our audit are described above. We did not audit the Township of Curtis' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Members of the Township Board, and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Gracik & Co., P.C.*





*Stephenson, Gracik & Co., P.C.*  
Certified Public Accountants & Consultants

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Donald W. Hraman, CPA  
Kylie E. Truett, CPA  
Herman A. Bertuleit

September 29, 2008

Members of the Township Board  
Township of Curtis  
Alcona County, Michigan

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of Curtis for the year ended March 31, 2008, and have issued our report thereon dated September 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated March 10, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Township of Curtis. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township of Curtis' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated March 10, 2008 and in our meeting about planning matters on June 18, 2008.

Significant Audit Findings

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Curtis are described in Note 1 to the financial statements. As described in Note 2, the Township of Curtis has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of March 31, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Members of the Township Board  
Township of Curtis  
September 29, 2008  
Page 2

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The audit adjustments, which include material misstatements detected as a result of audit procedures, were provided to and corrected by management.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated September 29, 2008.

#### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In planning and performing our audit of the financial statements of the Township of Curtis for the year ended March 31, 2008, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. As a result of our consideration of the internal controls and tests of compliance as described in the third and fourth paragraphs, we offer the following recommendations for consideration.



# Stephenson, Gravit & Co., P.C.

Members of the Township Board  
Township of Curtis  
September 29, 2008  
Page 3

## Financial Statement Preparation

The Township of Curtis prepares various financial information throughout the year to assess operations and the financial condition of the Township. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the Township relies on our firm to assist in preparing the annual financial report in accordance with Generally Accepted Accounting Principles.

The Township of Curtis has individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Township is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the Village would not be in a position to detect the errors or omissions.

## Separation of Duties in the Performance of Functions

The present system of internal accounting controls does not provide for separation of duties in the performance of functions. In our opinion, the system is adequate to account for the financial activity of the Township of Curtis but could be strengthened by a few minor changes in the personnel assigned to perform certain functions.

We recommend that the cash receipts and cash disbursements functions be handled by different individuals. Cash receiving should be centralized in a person without authority to sign checks and without access to noncash accounting records and not involved in reconciling bank accounts. A different person should prepare checks and reconcile the bank accounts.

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## Enterprise Fund Fixed Assets

We recommend that the Alcona Park compile an inventory of fixed assets acquired or constructed prior to January 1, 1995 that are still in existence at the Park, so that these assets can be incorporated into the balances being carried on the financial statements in the future.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of Township of Curtis.

This information is intended solely for the use of management, the Members of the Township Board, and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Gravit & Co., P.C.*